
OFFICE OF THE ALBANY CITY TREASURER

DATE: May 29, 2014

TO: Hon. Kathy M. Sheehan
Members of the Common Council

FROM: Hon. Darius Shahinfar

CC: Ismat Alam

RE: 1st quarter 2014 Performance

The following is a summary of the unaudited results for the 1st Quarter 2014.

Revenue in the first quarter of 2014 totaled \$75 million an increase of 3% (\$1.9 million) compared to 2013. Expenses totaled over \$37 million and were up almost 7.2% (\$2.5 million) compared to the first quarter of 2013. Most of this comparative increase is due to the reporting of the annual pension contribution, and the effects of this harsh winter. Overall, while the City is roughly on budget for 2014 thus far, there are multiple causes for concern regarding our revenues that could lead to an operating deficit by year end.

REVENUE (Thousands)

	MAR	MAR		%	MAR	Annual		%
REVENUE	YTD 14	YTD 13	Variance		YTD 14	Budget	Variance	Budget
PROPERTY TAX	55,940	55,096	844	2%	55,940	56,048	(108)	100%
SALES/USE TAX	7,720	7,533	187	2%	7,720	31,930	(24,210)	24%
PILOTS/19-a	3,512	2,829	683	24%	3,512	19,045	(15,533)	18%
OTHER LOCAL SOURCES	469	408	61	15%	469	3,690	(3,221)	13%
LANDFILL	2,229	2,624	(395)	-15%	2,229	11,177	(8,948)	20%
OTHER DEPARTMENTS	386	493	(107)	-22%	386	2,792	(2,406)	14%
INTER GOVERNMENT	42	74	(32)	-43%	42	315	(273)	13%
FINES	992	1,222	(230)	-19%	992	5,115	(4,123)	19%
LICENSES AND PERMITS	872	645	227	35%	872	2,332	(1,460)	37%
STATE AID	1,503	977	526	54%	1,503	20,426	(18,923)	7%
SALE P/COMP/LOSS	20	35	(15)	-43%	20	290	(270)	7%
MISCELLANEOUS	1,553	1,719	(166)	-10%	1,553	4,534	(2,981)	34%
OTHER	2	(289)	291	-101%	2	5,502	(5,500)	0%
TOTAL REVENUE	75,240	73,366	1,874	3%	75,240	163,196	(87,956)	46%

The chart above summarizes the City's sources of revenue through March 31, 2014.

1. **Property Tax revenue** increased from 2013 by \$844,000 as a result of the tax levy increase under the tax cap, but it is under the 2014 budget by \$108,000 as a result of assessment reductions, and reductions are expected to continue.
2. **Sales Tax revenue** from the first quarter increased 2% (\$187,000) from 2013 and totaled \$7.7 million. However, this increase is below the 2014 budget projections by approximately \$250,000 for the quarter. Although sales tax revenue can fluctuate quarter to quarter, this shortfall projects to a \$1 million (3%) revenue shortfall for 2014 should this trend continue.
3. **PILOTS/19-a revenue** was 24% higher than the same period in 2013. Most of the increase is due to receiving payments earlier this year than last year. Therefore this revenue line is expected to meet its budgeted amounts in 2014.
4. **Other Local sources revenue** was 15% higher than the first quarter of 2013. National Grid's utilities gross receipts payment alone was \$26,000 higher than last year. This revenue line fluctuates, and no 2014 budgetary prediction can yet be made.
5. **Landfill revenue** decreased 15% compared to the first quarter of 2013. Contaminated soil was lower by \$174,000 and tipping fees decreased by almost \$157,000 from commercial and municipal customers. This revenue line can fluctuate, but revenues are projected to be about \$1 million (9%) under budget in 2014.
6. **Other Departmental revenue** was 22% lower than the same period last year, while rental registries increased almost \$21,000, APD Event Security revenue decreased by almost \$23,000, EMS Ambulatory revenue decreased by \$57,000 and Safety Inspection revenue decreased by \$81,000. This revenue line fluctuates, and no 2014 budgetary prediction can yet be made.
7. **Fines and Forfeitures revenue** decreased by 19% from the first quarter of 2013. Both parking ticket and traffic/police court fines combined for a decrease of \$230,000, mostly from a drop in parking ticket revenue resulting from a reduction in parking tickets issued and revenue derived from the booting of vehicles. Although both ticketing and booting has increased since the end of the first quarter, should these trends continue, this item will be approximately \$1.1 million (25%) below 2014 budget.
8. **Licenses and Permits revenue** increased 35% (\$227,000) compared to the same period last year. Safety Inspection permit revenue increased by \$200,000 and Plumbing Permit revenue increased \$33,000. This revenue line fluctuates and no 2014 budgetary prediction can yet be made.

9. **State aid** was 54% higher in the first quarter compared to 2013. Most of the increase in this category resulted from an accounting requirement from the NYS Comptroller's Office to recognize 25% of the 2013 amortized pension in 2014 as revenue, and will even out over the course of the next 3 quarters.
10. **Miscellaneous revenue** was decreased 10% (\$166,000) compared to the same period last year primarily as a result of a decrease in delinquent debris and demolition charges levied onto 2014 property tax bills. This revenue line fluctuates and no 2014 budgetary prediction can yet be made.
11. **Other revenue** decreased 101% (\$291,000) compared to the same period last year. Most of this revenue is derived from federal government grants, the timing of which varies from one year to the next. This line is largely budget neutral because expenses are generally tied to revenue: Should revenue not materialize, then neither do the expenses.

DISBURSEMENTS

Category/Account	MAR YTD 14	MAR YTD 13	Variance	%	Annual Budget	Variance	% Budget
Personal Benefits 7100-7199	18,508,375	18,603,783	(95,408)	-0.5%	75,918,308	(57,409,933)	24%
Fringe Benefits 7801-7863	12,340,448	11,530,855	809,593	7.0%	51,717,084	(39,376,636)	24%
Non-Personal Service 7210-7701	6,549,891	4,766,860	1,783,031	37.4%	45,362,634	(38,812,743)	14%
Total	37,398,714	34,901,498	2,497,216	7.2%	172,998,026	(135,599,312)	22%
Number of weeks in period	13	13	0		52		25%

Total disbursements increased by 7.2% compared to the same period last year to over \$37 million. Spending was up in Fringe Benefits and Non-Personal Service but decreased slightly in Personal Benefits for a total increase of almost \$2.5 million compared to 2013.

1. **Salary expense decreased by -0.5%** compared to the same period last year. Salary expenses are level or slightly lower in most of the departments compared to the first quarter of 2013. This is largely due to departures from the previous administration, reorganization, unfilled positions and delay in filling unfilled positions.
2. **Benefits Expenses increased by 7.0% for the first quarter of 2014.** Pension expenses were up \$884,000 compared to 2013. The City is required to recognize 3 months or 25% of the NYS Retirement pension payment from 2013 in 2014. We are hopeful that the recent news about the enhanced state of the NYS Pension Fund will ultimately result in a reduction of this budgeted expense for 2014.
3. **Non-Personal Service spending increased by 37.4% or almost \$1.8 million from 2013.** This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. The first quarter saw increases over last year in the Fire Department of \$245,000 in equipment expense, most of this increase \$165,000, is offset by a NYS grant to purchase air packs, DGS saw increases in the following accounts: gasoline expense increased \$263,000, motor vehicle repair expense increased \$120,000 and snow removal supplies and expense increased \$521,000. The City's utilities expenses increased by \$237,000 from the same period last year. Some of the increases in DGS expenses and utilities expense can be attributed to the snow and extreme weather the City had to endure during the first three months of the year. This expense line can fluctuate and a cooler summer and warmer fall and early winter along with lower energy costs would serve to reduce 2014 costs. However, if trends continue, these unforeseen expenses will have significant negative consequences to the 2014 budget and to City finances.
5. **Encumbrances (funds reserved for purchases) decreased by \$1.5 million** or almost 22% compared to the same period last year. Encumbrances total \$5.4 million at the end of the first quarter. This figure represents expected and budgeted spending in the months ahead and does not affect the budget per se.

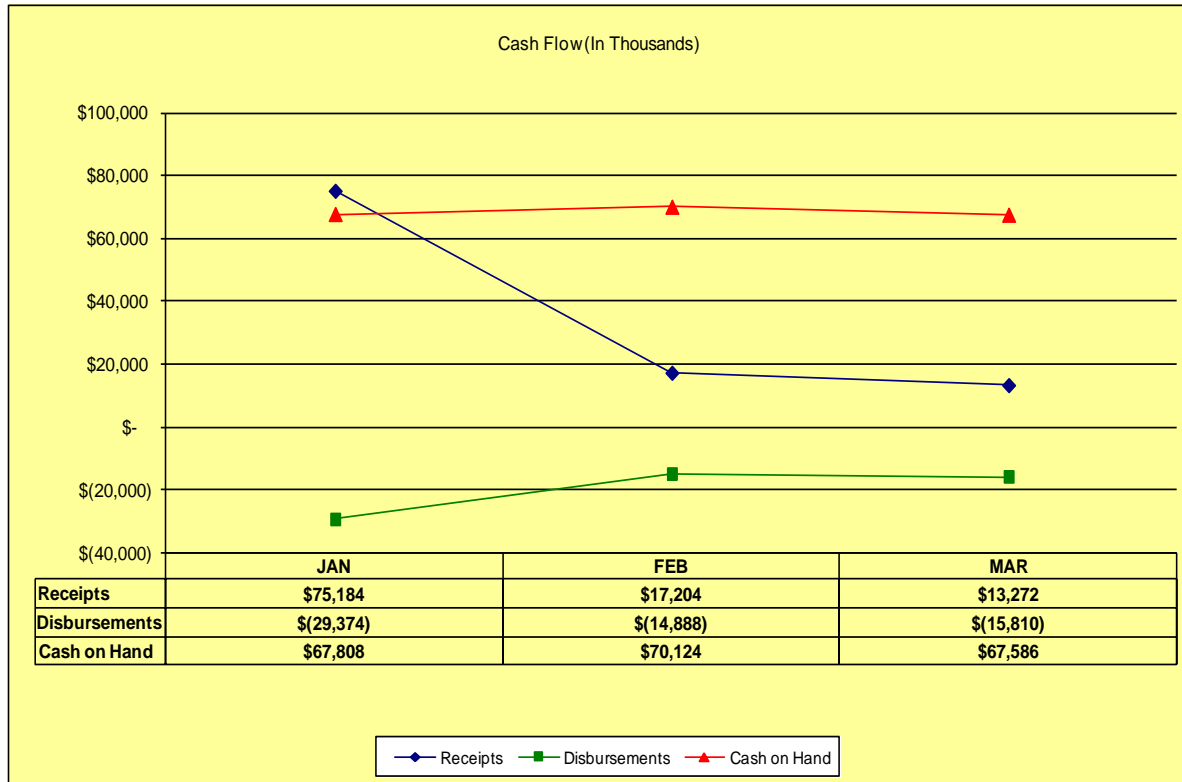
OVERTIME

Department	2014	2013	Change	%	2014	Budget	Budget
Police (non-reimbursable)	867,055	883,141	(16,086)	-2%	867,055	3,800,000	23%
Fire	382,352	366,414	15,938	4%	382,352	1,750,000	22%
Communications	42,693	40,654	2,039	5%	42,693	162,000	26%
Parks Maintenance	97,581	60,138	37,443	62%	97,581	200,000	49%
Waste Collection	81,159	60,258	20,901	35%	81,159	175,000	46%
Landfill	79,940	57,762	22,178	38%	79,940	130,000	61%
Central Maint.	18,278	22,370	(4,092)	-18%	18,278	70,000	26%
Street Maintenance	59,141	51,541	7,600	15%	59,141	130,000	45%
Street Cleaning	81,550	54,558	26,992	49%	81,550	110,000	74%
Recreation	0	5,387	(5,387)	-100%	0	25,000	0%
Traffic Engineering	6,777	6,277	500	8%	6,777	20,000	34%
Capital Hills	7,654	4,081	3,573	88%	7,654	26,000	29%
Central Garage	13,933	13,368	565	4%	13,933	28,000	50%
Bleeker Stadium	0	274	(274)	-100%	0	1,200	0%
Buildings	11,862	16,627	(4,765)	-29%	11,862	18,000	66%
Control of Animals	1,397	1,450	(53)	-4%	1,397	9,000	16%
Special Events	0	252	(252)	-100%	0	20,000	0%
General Fund	1,751,372	1,644,552	106,820	6%	1,751,372	6,674,200	26%
Police (reimbursable)	215,224	205,173	10,051	5%	215,224	950,000	23%
Traffic Eng. (reimbursable)	0	0	0	0%	0	0	100%
Water	205,305	178,686	26,619	15%	205,305	605,000	34%
Totals	2,171,901	2,028,411	143,490	7%	2,171,901	8,229,200	26%

General Fund overtime was at 26% of budget at the end of the first quarter. Excluding the Water Department (for which the City is reimbursed) and reimbursable Police overtime, overtime expense was 6% (\$106,820) higher than the same period last year.

Parks Maintenance had the biggest increase in overtime expense percentage at 62% (\$37,443) over last year. Police overtime was lower by 2% compared to the same period last year and finished the quarter at 23% of budget. The majority of departments have higher overtime expenses this year than last year, some of which can be attributed to the change in administration and the number and intensity of the snow storms during early months of 2014.

CASH



The City's cash position was 2% less than forecasted and \$1.0 million lower than the same period last year. Most of the decrease is the result of paying outstanding invoices to our vendors within 30 days of the date of the invoice, and is not a concern.

CONCLUSION

Revenue is ahead of last year by \$1.9 million or 3%. Most of this increase is from the budgeted increase in the property tax levy and early payment of budgeted PILOT revenue. Expenses are just below budget for the first three months at 22%, but 7.2% or almost \$2.5 million higher than last year at this time. The booking of pension costs, an increase in expenses related to snow and cold weather and the failure to realize budgeted sales tax, landfill and fine revenues, have had a negative impact on the City's budget. Although it is early in the year and circumstances can change, we are facing year-end shortfalls in sales tax, landfill and fine revenues. On the expense side, prospects for cost savings will improve with increased efficiencies, consistent departmental monitoring of expenses including overtime, less severe weather conditions and a possible reduction in the City's contribution to the NYS Pension Fund because of positive fund performance. Reduced health insurance costs would also assist the City in making up for trending revenue shortfalls.